

P 130501Z MAR 09
FM AMCONSUL SYDNEY
TO SECSTATE WASHDC PRIORITY 8825
INFO AMEMBASSY CANBERRA PRIORITY
AMCONSUL MELBOURNE PRIORITY
AMCONSUL PERTH PRIORITY

C O N F I D E N T I A L SYDNEY 000060

E.O. 12958: DECL: 03/11/2019

TAGS: [PGOV](#) [PINR](#) [MASS](#) [AS](#)

SUBJECT: FORMER OPPOSITION LEADER COMMENTS ON RUDD AND AN
EARLY ELECTION

REF: CANBERRA 213

Classified By: Political Officer Casey Mace for reasons 1.4 (b) and (d)

Summary

¶1. (C/NF) Prime Minister Kevin Rudd has taken a tactical, rather than strategic approach to the economic crisis, according to former opposition leader Brendan Nelson. As a result, Nelson predicts Rudd will back off of other strategic efforts, like the proposed emissions trading scheme and defense procurement, to fuel the perception that he is doing everything possible to mitigate the economic downturn. In a private meeting with us on March 6, Nelson also offered his views on the unlikely prospects of an early federal election in 2009, the Turnbull-Costello rivalry within the opposition, the dismal future of the National Party, and the poor performance of Joel Fitzgibbon as Defense Minister. Although Nelson's critical appraisals of his political rivals -- Kevin Rudd, Joel Fitzgibbon, and Malcolm Turnbull -- must be taken with a grain of salt, his close relationship with Peter Costello and his familiarity with the political pressures in Canberra make his views informative. End Summary.

Rudd's Tactics on the Economy, Climate Change, and Defense

¶2. (C/NF) Nelson maintained that Rudd's economic policy is focused on short-term political gain. For example, Nelson claimed, Rudd has timed his stimulus packages to avoid two quarters of negative growth, which is Australia's official definition for a recession. Nelson dismissed Rudd's recent nine-page economic think piece in the "Monthly," which some observers termed socialist in outlook, as a political instrument rather than a strategic manifesto. Nelson believes Rudd wrote the article, in part to appease the left wing of the Labor party, and in part to saddle the Liberal party with the blame for the current fiscal crisis in Australia. Nelson said that the U.S. should not be worried that Rudd is about to reengineer the Australian economy, despite some of the more "socialist" innuendoes in the piece.

¶3. (C/NF) As a consequence of Rudd's tactical approach, Nelson said he believes that Rudd is planning to delay the introduction of the Carbon Pollution Reduction Scheme (CPRS), although he admitted that he has been unable to convince his colleagues of this in the opposition. He believes Rudd added the massive funding for "pink bats" (ceiling insulation) to his stimulus package in order to curry some favor with the Green groups in advance of delivering the bad news that he will delay the CPRS. Another indicator, suggested Nelson, is that AIG's Heather Ridout (who is close to Rudd) has abruptly changed her tune, and now wants the government to delay the CPRS.

¶4. (C/NF) Nelson said that he thinks the Defense White Paper is being crafted to give the Rudd government the ability to delay and/or cancel some defense procurements that will weigh heavily on a federal budget that is entering deficit. He said that he has told Fitzgibbon that one way to save costs is to purchase additional F-18 Super Hornets and fewer F-35 Joint Strike Fighters for a "hi-low" mix. Nelson said media

reports/speculation that the Navy would increase the submarine fleet to 20 submarines was nonsense fuelled by lobbyists. He thinks the fleet will remain at 6 submarines, with the possible addition of two more. Nelson cautioned that Labor Party Governments have never ranked Defense as high a priority as the Coalition did when it was in power under John Howard.

Early Election Prospects

15. (C/NF) Nelson does not think Rudd will call an election before the end of the year. (Elections are due by November 2010; Nelson did not comment on the chances of an early election in 2010.) Calling an election more than a year early is too much of a gamble for Rudd, who is conservative by nature. Nelson said that an early election always swings at least a one-percent protest vote away from the government of the day. Rudd's parliamentary majority is not that big. Despite this, Nelson maintained that the opposition would not be able to win an early election. The opposition's disunity and policy inconsistency under Turnbull's leadership has prevented it from gaining any traction with the electorate. In a separate meeting, opposition backbencher Michael Johnson shared a similar view on the opposition's bleak chances in a 2009 election. Johnson, who represents a relatively safe Coalition seat in Brisbane, said that "the Liberal party is in the DNA of my electorate, and I'm even worried that I could lose in an election this year."

Future of the Coalition

16. (C/NF) Leadership of the opposition remains an open question. Costello "does not like" Turnbull, said Nelson, "which is putting it mildly." Costello was "furious" when Turnbull defeated Nelson in the leadership spill last September. Although he said that he did not know whether Costello would challenge Turnbull for the leadership, Nelson believes he has the numbers if he wants it. He pointed out that Costello is probably relishing how uncomfortable he is making Turnbull by permitting speculation that he will challenge him for the leadership. Moreover, Costello could allow the leadership question to hang over Turnbull for months. Even though he might have decided to retire from Parliament, Costello could renominate for his parliamentary seat when the Liberal Party starts the nomination process (probably around July of this year) and withdraw late in the process to "torment" Turnbull.

17. (C/NF) Coalition partner the National Party is a dying force federally, Nelson said. He said that the aspirations of most of the voters in regional Australia are essentially the same now as the aspirations of urban voters, eliminating the need for two separate conservative parties. He opined that the Nationals have three options: die a slow death through attrition, merge with the Liberals, or become a small party (like the Greens) which represents a handful of remote electorates. He suggested that leaders like Barnaby Joyce prefer the third option.

Defense Minister Fitzgibbon on Borrowed Time

18. (C/NF) Fitzgibbon is a "nice-enough" guy, said Nelson, but "he is out of his depth intellectually." Poorly handling the current military pay fiasco (reftel), Fitzgibbon should not have publicly deflected the blame for the fiasco to the military chiefs, especially when 3000 uniformed Australians are deployed in war zones. Nelson said the military and Australian defense department had made a series of bureaucratic blunders when he was Defense Minister, but he always believed he had to accept the responsibility. He thinks Rudd will shuffle Fitzgibbon out of defense before Christmas, as part of a larger reshuffle.

Comment

¶9. (C/NF) Nelson is not the most objective of observers, which he jokingly acknowledged during our meeting. By and large, the business community and the broader public have given Rudd high marks for his measures to shore up the economy. And so far, Australia continues to outperform many of the other OECD countries on measures like GDP growth and unemployment. Rudd's economic essay has elicited strong criticism from conservatives, but it was telling that Nelson dismissed it as nothing more than a political instrument. The emissions trading scheme is truly testing Rudd's political skills - the environmental lobby says his plan is too weak, powerful industrial sectors like mining have argued that it is too costly, and a growing number of MPs from both the opposition and within the Labor party argue that it is too early. Nelson may be right that Rudd has added green measures to his economic stimulus packages to buy some political capital with environmentalists, but it is hard to imagine that Rudd would unilaterally take the decision to delay the introduction of his emissions trading scheme -- one of his key campaign promises. It is more likely that he would allow the Senate to block the legislation, if he wanted to delay its introduction, so that he could deflect the blame for its delay.

¶10. (C/NF) Nelson confirmed what we have heard from others about Costello's animosity towards Turnbull. Just like when Turnbull preyed on Nelson for the leadership spot, rumors of an ouster distracts and divides the party. Unlike Turnbull, who everyone knew would make his move on Nelson eventually, Nelson admitted that Costello remains coy and could rile Turnbull (and the party) for months. Finally, others have echoed similar misgivings with Fitzgibbon's performance as defense minister. Fitzgibbon's days as defense minister may indeed be numbered. End Comment.

BORDEN